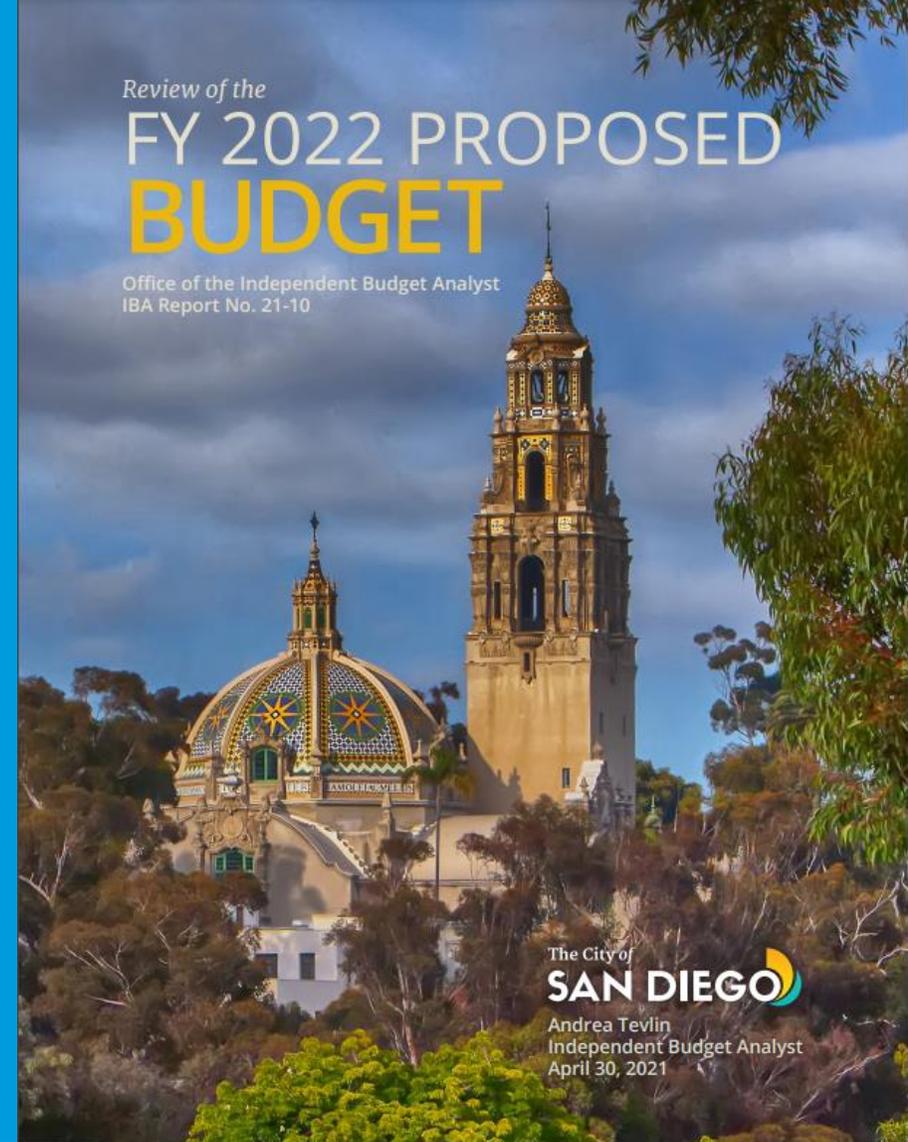


# IBA Review of the Fiscal Year 2022 Proposed Budget

Budget Review  
Committee  
May 5, 2021



Office of the Independent Budget Analyst



# Budget Hearing Process Overview

## Mayor, IBA, and Council Roles

- Mayor is responsible for releasing a Proposed Budget that is balanced and carries out the City's goals, policies, programs, and services
  - Proposed Budget was released on April 15<sup>th</sup>
- IBA thoroughly reviews and analyzes proposed budget for the Council and the Public
  - IBA Review was released April 30<sup>th</sup>
- Council examines the Proposed Budget in depth, and holds hearings with department heads and public town halls
  - Hearings scheduled for May 5<sup>th</sup> through May 11<sup>th</sup>
  - Town Halls scheduled throughout May

# Budget Hearing Process Overview *(cont.)*

## Budget Hearings

- Department Presentations
  - Each Department presents its Proposed Budget to Council
  - IBA's office provides additional comments and context
  - Public is given opportunity to offer comment on Proposed Budget
- Council has opportunity to question Departments, ask for details and follow up, and to offer comment
  - Mayor's Office and Department of Finance attend hearings, and respond to Council questions at hearings and/or prepare written responses that are later provided to Council
- Input received during Budget Hearings is used in development of Mayor's May Revision

# FY 2022 Proposed Budget Overview

## Unique Challenges

- City's revenues continue to feel impact from the COVID-19 pandemic
  - FY 2021 Mid-Year Financial Monitoring Report showed \$85.4 million deficit for FY 2021; Five-Year Financial Outlook showed \$124.4 million deficit for FY 2022
  - Situation has improved more recently with updated revenue projections and Federal relief funding
- City's expenses continue to slowly increase
  - Pension ADC costs expected to increase by \$36.8 million in FY 2022
- Many City services anticipated to need additional support in future years (staffing, capital program, storm water, etc)

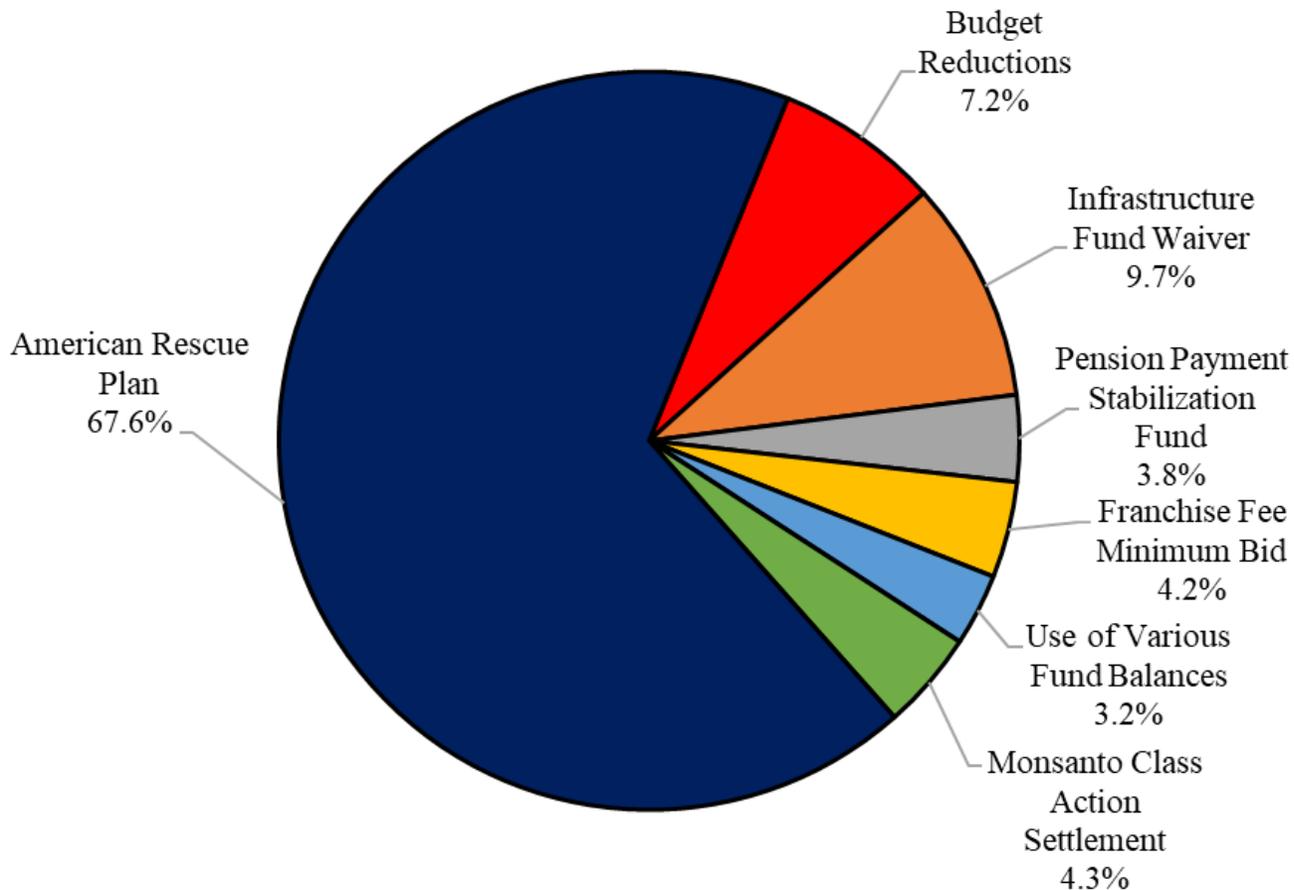
# FY 2022 Proposed Budget Overview (*cont.*)

## Proposed Budget

- Despite challenges, Proposed Budget is balanced
  - \$1.73 Billion in Expenditures
  - \$1.73 Billion in Revenues
- Mayor used a variety of mitigations to Balance the Proposed Budget
  - Largest mitigating factor is the City's receipt of American Rescue Plan Act (ARP) funding: \$51.1 million anticipated use to close deficit FY 2021, \$141.3 million proposed for FY 2022.
  - Additional use of one-time funds, expenditure reductions, and other revenues as shown on following slide
  - Our Office supports the mitigation measures in the Proposed Budget

# FY 2022 Proposed Budget Overview (cont.)

## Proposed Budget - Mitigations



- Many mitigation measures used to balance the Proposed Budget.
  - Most significant is ARP revenue
  - Additional discussion on mitigation measures included later in presentation

# FY 2022 Proposed Budget Overview (*cont.*)

## Noteworthy Items

- Proposed Budget is balanced and reasonable; includes funding for a number of critical services. Areas of note include:
  - Funding for New Commission on Police Practices
  - Back to Work SD Program
  - Stormwater Funding Additions and Needs
  - Sexy Streets #ForAllofUs Initiative
  - Complying with SB 1383 – Organics Collection
  - Homelessness Programs and Expenditures
  - Capital Infrastructure
  - Reduced Library Hours
  - Police Budget
  - Citywide Staffing Increases
- Overview of Proposed Budget Revenues and Expenditures, and brief discussion of issues on following slides
- Several areas of note and additional key issues are also discussed

# General Fund Revenues

## Economic Outlook

- Total Revenues increase by \$107.8 million, with Major Revenues (Property Tax, Sales Tax, Transient Occupancy Tax [TOT], and Franchise Fee) up \$98.5 million.
- COVID-19 impact still felt in Sales Tax and especially TOT
- However, growth in all major revenues consistent with improving economic outlook as vaccine distribution increases, restrictions are eased, and economic activity increases

# General Fund Revenues (*cont.*)

## Property Tax

- FY 2022 Proposed Budget is \$669.3 million, increase of \$38.7 million (6.1%)
- Growth rate lowered from 4.25% in FY 2021 to 4.00% in FY 2022.
- Collection rates also projected to increase as pandemic subsides
- Redevelopment Property Tax Trust Fund (RPTTF) will increase beyond the Proposed Budget after State disallowed numerous items on latest Recognized Obligation Bond Schedule
  - Appeals process must conclude before final numbers are known

# General Fund Revenues (*cont.*)

## Sales Tax

- FY 2022 Proposed Budget is \$320.8 million, which is an increase of \$46.4 million (16.9%)
- Average growth rate applied to FY 2022 is 13.2%
- Consistent with overall economic activity and projections from City's sales tax consultant
  - Sales Tax receipts after Proposed Budget preparation have come in slightly higher than projected
  - Potential to increase FY 2022 sales tax revenue by \$0.3 to \$0.5 million

# General Fund Revenues (*cont.*)

## Transient Occupancy Tax

- FY 2022 Proposed Budget is \$95.5 million, which is an increase of \$5.0 million (5.5%).
- Hardest hit revenue due to COVID-19, especially in FY 2020; TOT revenue especially volatile with 60%+ decrease since pre-pandemic highs.
  - Revenue for recent months higher than projected, with improving conditions (lifting of travel restrictions, increased vaccine distribution, etc)
  - Potential to increase FY 2022 TOT revenue by \$0.5 to \$1.5 million based on actual receipts in recent months
  - Caution still needed; COVID setbacks or changes in travel practices could still dramatically impact TOT revenue

# General Fund Revenues (*cont.*)

## Franchise Fees

- Total Franchise Fees total \$76.1 million, which is an increase of \$8.4 million (12.4%)
- The three largest fees are:
  - 3% surcharge on SDG&E revenue
  - 5% surcharge on cable television provider subscriptions
  - Charges to refuse haulers based on tonnage
- SDG&E Franchise Fees total \$49.7 million, which is an increase of \$8.4 million.
  - The SDG&E increase is due to higher gross SDG&E revenue in calendar 2020 and a projected calendar 2021 growth rate of 1.9%

# General Fund Revenues (*cont.*)

## Franchise Fees (*cont.*)

- Cable television fees total \$13.0 million, which is a minimal decline from FY 2021
  - Cable television fees have been declining since FY 2011, and FY 2022 includes a projected annual decline of 4.6%.
- Refuse hauler fees total \$12.8 million, which is no change from FY 2021

# General Fund Revenues (*cont.*)

## Potential Adjustments

- RPTTF will be increased in the May Revision based on State actions
  - Actual amount must wait for final State decisions
  - Current range of increased revenue is \$2.9-\$3.8 million in FY 2021 and \$1.3-\$1.8 million in FY 2022
- Department of Finance is considering an increase in the 4.00% growth rate for Property Taxes, based on recent actuals and performance
- Increases to Sales Tax and TOT potentially appropriate
  - Range of \$0.8-\$2.0 million in FY 2022
- Total potential increase of \$2.1-\$3.8 million

# General Fund Expenditures

*Expenditures Budget Overview: \$1.73B and 7,650.89 FTE*

*Net Budget Change: \$107.8M and 10.87 FTE increase*

- Personnel Expenditures (PE) changes – \$67.5M **net** increase
  - Increases
    - \$36.8M ADC pension payment increase
    - \$22.1M estimated employee compensation increases (subject to negotiations)
    - \$5.4M Budgeted PE Savings adjustment (increases PE budget)
    - \$4.3M neighborhood policing overtime (covered by Seized Assets Fund in FY 2021)
    - \$2.8M in net departmental position additions (10.87 FTE net increase)

# General Fund Expenditures (*cont.*)

## *Expenditures Budget Overview (con't)*

- PE changes (*con't*)
  - Offsetting decreases
    - \$4.0M for one-time FY 2021 COVID-19 overtime
    - \$5.4M Police Department overtime (including extension of shift, Clean SD, special events, neighborhood policing)
- Non-Personnel Expenditures (NPE) changes – \$40.3M **net** increase
  - Increases
    - \$14.5M capital bond payments – amount covered in FY 2021 by stadium sale proceeds (one-time)

# General Fund Expenditures (*cont.*)

## *Expenditures Budget Overview (con't)*

- NPE changes (*con't*)
  - Increases (*con't*) – other one-time costs
    - \$10.2M – Convention Center operations
    - \$10.0M – "Sexy" Streets #ForAllofUs Initiative
    - \$10.0M – homelessness programs
    - \$10.0M – small business forgivable loans
    - \$6.0M – facility upgrades/other costs for SB 1383 organics collections
    - \$5.0M – Climate Equity Fund contribution
    - \$2.5M – Stormwater funding strategy
    - \$2.4M – Back to Work SD youth programming

# General Fund Expenditures (*cont.*)

## *Expenditures Budget Overview (con't)*

- NPE changes (*con't*)
  - Increases (*con't*)
    - \$8.0M – debt service, largely due to 2021 issuance (to be reduced by \$3.0M in the May Revise)
    - \$7.2M – non-discretionary IT costs (largely due to increased vendor costs)
    - \$6.3M – Fleet fees for vehicle replacements
    - \$3.4M – Public Liability insurance cost increases
    - \$2.6M – net capital lease increases (largely public safety radio replacements and departmental PC replacements)

# General Fund Expenditures (*cont.*)

## *Expenditures Budget Overview (con't)*

- NPE changes (*con't*)
  - Offsetting decreases – largely due to removal of FY 2021 one-time costs, including the following
    - \$30.0M – Operation Shelter to Home
    - \$12.8M – Small Business Relief Fund
    - \$9.7M – Rent Relief Fund
    - \$5.7M – Infrastructure Fund Transfer (for FY 2019 true-up)
    - \$3.0M – Community Equity Fund

# Citywide Staffing Increases

*Net General Fund FTE increase is 10.87 (\$2.8M)*

- FTE increases: 125.20 and \$10.6M in Personnel Expenditures (PE)
  - **Stormwater** – 39.50 FTE (\$2.9M PE): second pipe repair team, human bacteria source investigation team, other FTEs
  - **Environmental Services** – 17.83 FTE (\$1.2M PE): positions related to organics collections (SB 1383), Clean SD code compliance
  - **Parks & Rec** – 16.02 FTE (\$1.0M PE): maintenance staff, Standley Middle School Joint Use Pool, other FTEs
  - **Compliance Department** – 7.00 FTE (\$940,000 PE): Safety and Environment Program transfer from non-general fund

# Citywide Staffing Increases (*cont.*)

## *Net General Fund FTE increase (cont.)*

- FTE increases (*con't*)
  - **Library** – 6.43 FTE (\$559,000 PE): Do Your Homework at the Library (hourly), administrative support
  - **Commission on Police Practices**: 5.33 FTE (\$529,000 PE)
  - **Fire-Rescue** – 4.33 FTE (\$239,000 PE): including Advanced Lifeguard Academy (hourly), other positions
  - **Transportation** – 4.25 FTE (\$318,000 PE): positions for State-mandated Dig Alert and other activities
  - **Other Departments** – 24.50 FTE (\$2.9M PE): Communications, Department of Finance, Homelessness Strategies, Human Resources, Personnel, Economic Development, Police, other departments/offices

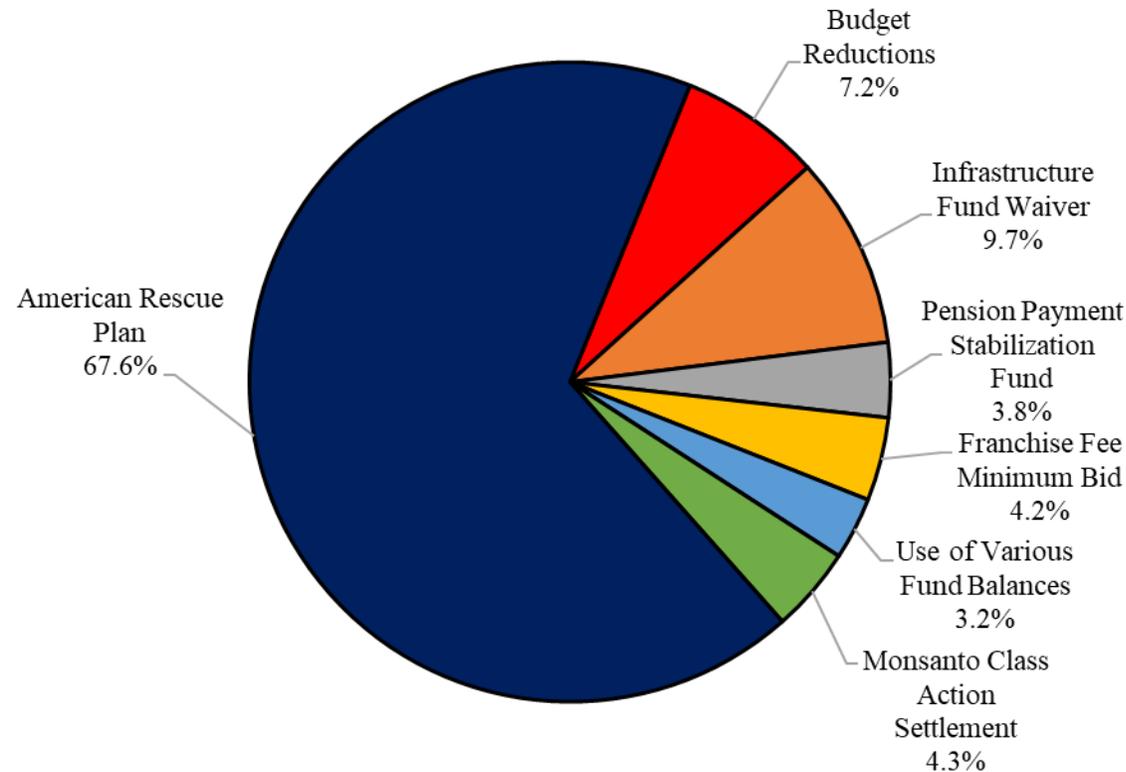
# Citywide Staffing Increases (*cont.*)

## *Net General Fund FTE increase*

- Offsetting FTE decreases total 114.33 and \$7.8M
  - **Library** – 100.92 FTE (\$6.0 PE): reduction to Tuesday through Saturday schedule (77.92 hourly FTE and 23.00 standard-hour FTE reductions)
  - **Smart & Sustainable Communities** – 8.00 FTE (\$746,000 PE): Urban Planning Review Program transfer to non-general fund
  - **Other Departments** – 5.41 FTE (\$1.1M PE): Fleet Operations-Facilities, Assistant COO, Public Works & Utilities, Purchasing & Contracting, Council Administration, Ethics Commission

# Mitigating Actions for FY 2022 - \$209 million

## Largest Action is Use of American Rescue Plan



# Mitigating Actions for FY 2022 *(cont.)*

## Total Mitigations - \$209 million

- The Proposed Budget required a total of \$209M in mitigation actions
- This is due to a combination of
  - \$107.6M – Revised Outlook Shortfall
  - \$57.5M – New or Enhanced Services
  - \$44.0M – New Expenditures to Maintain Current Services
- Largest mitigation action is the use of American Rescue Plan funding (\$141.3M, or 67.6% of total actions)

# Mitigating Actions for FY 2022 (cont.)

## American Rescue Plan Act (ARP)

- City to receive approximately **\$306.1M** in ARP relief funds: \$153M in May of 2021 and another \$153 million as soon as May 2022
- ARP funds may be used through December 31, 2024
- **1X resource** – combined with other 1X revenues to fund \$91.7M of ongoing expenses in FY 2022 Proposed Budget
- Mayor proposing to **save \$113.7M of ARP funds for FY 2023** to help offset projected \$116.5M revenue shortfall
- **Other significant resources available** to City in ARP legislation

Mayor's Proposed Use of ARP Funds (\$ in millions)	
FY 2021	\$ 51.1
FY 2022	141.3
FY 2023	113.7
<b>Total</b>	<b>\$ 306.1</b>

# Mitigating Actions for FY 2022 *(cont.)*

## Budget Reductions - \$15 million

- Combination of ongoing reductions, one-time reductions, and revenue enhancements
  - \$11.7M in ongoing reductions
    - Largest reductions are for Library (\$6.9M, 100.92 FTE) and Police Overtime (\$4.0M)
  - \$1.6M in one-time reductions
    - \$900,000 for CleanSD efficiencies and \$700,000 for Fleet Equipment Rentals
  - \$1.7M in revenue enhancements
    - \$900,000 ongoing, \$800,000 one-time

# Mitigating Actions for FY 2022 *(cont.)*

## Other Mitigating Actions

- \$20.8M - Infrastructure Fund Waiver
  - One-time request to waive the requirements of Charter Section 77.1
  - Requires two-thirds vote of Council
- \$9.0M - Monsanto Class Action Settlement
- \$8.8M - Use of Franchise Fee Minimum Bid
  - Current agreement expires June 1
  - New bids expected to be presented to Council on May 12
  - Granting new franchise agreements requires a two-thirds vote

# Mitigating Actions for FY 2022 *(cont.)*

## Other Mitigating Actions cont.

- \$7.9M - Use of Pension Payment Stabilization Reserve
  - This action uses the full Reserve balance (General Fund portion)
  - The Reserve is designed to cover increases in the ADC
    - FY 2022 General Fund ADC increase is \$36.8M
- \$6.6M - Use of Various Fund Balances
  - Includes Environmental Growth Fund, Emergency Medical Services Fund, Stadium Operations Fund, and Public Safety Services and Debt Fund

# Mitigation Actions (*cont.*)

## Previous Actions that have Carried Over to FY 2022

- General Fund Reserve – Similar to FY 2021, there is no budgeted General Fund Reserve Contribution
- 2.6% Across-the-Board Contracts Reduction
  - \$6.3M allocated to departments on ongoing basis
  - Impact by department varies
- 4% Reduction for Non-Mayoral Departments
  - \$3.5M in reductions for all non-Mayoral Departments, except City Auditor and City Clerk (FY 2021 Council Restorations)
  - Impact by department varies

# Noteworthy Items and Key Issues

## Areas that merit additional discussion

- As noted in our introduction, the Proposed Budget includes a number of noteworthy items. Our report covers these as well as several other Key Citywide Issues:
  - Climate Action Plan
  - Facilities Updates
  - Homelessness
  - Capital Infrastructure Needs
  - Labor Negotiations
  - Pension Impacts
- The following slides include more detail on several noteworthy items and citywide issues; additional information is included in our report.

# Noteworthy Items and Key Issues

## Reduced Library Hours

- Systemwide Closures Sunday and Monday
  - Reduction of 100.90 FTEs and \$6.9 million
  - All branches and Central would be open 42.5 hours per week (8.5 hours per day Tuesday-Saturday)
- Proposed Budget returns \$1.5 million of savings for:
  - Electronic materials
  - Increased Programming
  - Library Out-of-School Camps
  - Trail program which would allow extended library access (Open+)

# Noteworthy Items and Key Issues

## Reduced Library Hours

- Same reduction proposed last year and was restored by Council
  - Expectation was that hours would return to pre-COVID-19 levels (including Sundays and Mondays) upon reopening; has not occurred
- Eight Councilmembers prioritized the maintenance of library hours at the levels restored in FY 2021
- Library Director cites the need to address operational difficulties surrounding the impact of hourly employees receiving no benefits and significant vacancies post-COVID-19

# Noteworthy Items and Key Issues

## Reduced Library Hours

- If funding was restored, Department proposes staffing restructure to convert hourly employees to benefited positions and increase hours from 42.5 to 46 per week
  - The council may wish to inquire about more targeted restorations
- Reopening would not be possible until the fall, according to the Library Director, given need to convert positions and hire staff
- Additional funding would be required to return to pre-COVID-19 hours

# Noteworthy Items and Key Issues

## Police Budget

- SDPD General Fund Budget totals \$591.8 million, an increase of \$23.5 million, or 4.1%
  - Largely due to pension and other non-discretionary costs increases
- Majority of Councilmembers prioritized the reallocation of SDPD funding and reallocation of SDPD services
  - \$4.0 million in ongoing overtime reduced
- *IBA Report 20-21: Analysis of Police Department FY 2021 Budget* is a resource to explore options for funding reallocation and/or reassignment of services

# Noteworthy Items and Key Issues

## Labor Negotiations - Employee Compensation Increases

- City has been negotiating with all six of the recognized employee organizations regarding terms and conditions of employment for FY 2022, including compensation levels
- Estimated compensation increase in FY 2022 Proposed Budget is \$22.1M
- Actual cost for employees' compensation increases will not be known until the good faith bargaining process has been completed
- City is endeavoring to take steps toward attaining a more competitive compensation position
- Brief background/history of compensation issues included in our report

# Noteworthy Items and Key Issues

## Pension - Defined Benefit Pension Costs

- \$414.9M Actuarially Determined Contribution (ADC) pension payment
  - \$314.5M for the General Fund
- \$49.3M ADC increase for FY 2022 (\$36.8M General Fund)
  - \$30.9M for demographic assumption changes, largely due to changes in mortality assumptions
  - \$12.3M primarily related to investment returns lower than expected
  - \$6.9M largely due to salary increases greater than expected
- Most recent FY 2023 ADC estimate is \$423.1M

# Noteworthy Items and Key Issues

## Pension - Unwinding Proposition B

- Proposition B (approved by voters June 2012) was challenged by four of the City's recognized employee organizations
- Recent ruling by California Superior Court – Proposition B is invalid
  - City must take necessary steps to strike the Proposition B provisions from the City Charter and make conforming amendments to the San Diego Municipal Code and other related enactments
  - City has begun the meet-and-confer process with the recognized employee organizations regarding affected member employees
  - Ultimate cost and process for resolution is dependent on pending negotiations and compliance with federal tax laws and regulations with respect to retirement plans

# Noteworthy Items and Key Issues

## Homelessness

- One of the Mayor's Critical Expenditures
- Budget makes a one-time investment of \$10 million for five programs. Some are still under development so they lack detail
- Many other homelessness programs are planned for FY 2022 with the use of nearly \$25 million in state grants, but will be considered outside the Budget Process
- We believe Council would benefit from having all planned homelessness expenses available during the budget process

# Noteworthy Items and Key Issues

## Homelessness (*cont.*)

- While the City has gained momentum in systematically addressing homelessness, there are issues to consider:
  - Ongoing homelessness programs are primarily funded with one-time resources
    - An ongoing funding source will have to be identified in the next few fiscal years
  - We need to track progress on the Community Action Plan on Homelessness as well as program outcomes to keep City accountable on its investments
    - The Housing Commission is working on this

# Noteworthy Items and Key Issues

## Capital Infrastructure Needs

- Proposed Budget only includes \$49.0 million for General Fund capital infrastructure which falls well below the \$661 million in needs identified in the Capital Outlook for FY 22
- CIP infrastructure gap of \$3 billion expected to continue to grow
- Closing the gap would require significant revenue and significant increased capacity of Engineering and Capital Projects to spend funds
- Capacity has been constrained due to competitiveness of construction industry and vacancies

# Noteworthy Items and Key Issues

## Facilities - Kearny Mesa Repair Facility (Othello Ave)

- Lease entered into April 2017
- Delays due changing construction cost estimates
- \$1.0M allocated for design in FY 2020 CIP Budget
- Project needs:
  - **\$13.8M for construction**
  - Construction reimbursement agreement with owners
  - Relocate staff out of offices at Othello Avenue
- More urgently needed to separate Fire & Refuse Packer fleets due to SB 1383 requirements to increase packer fleet

# Noteworthy Items and Key Issues

## Facilities – 101 Ash

- Lease entered into 2016
- Delays due changing scope, increased renovations, building condition, and asbestos concerns
- Initial renovations totaled \$25.9 million
- Up to \$115.2 million in additional remediation costs potentially necessary (includes significant soft and contingency costs)
- No plan yet publicly presented for how the City will move forward with the building.



# FY 2022 City Council Budget Priorities Compared to Mayor's FY 2022 Proposed Budget

COMPARISON OF COUNCIL FY 2022 BUDGET PRIORITIES TO MAYOR'S FY 2022 PROPOSED BUDGET (A=Added, M=Maintained, R=Reduced, NA=Not Added)		
City Council Operating Budget Priorities	Status	Notes
<b>Maintain Core Services/Clean Communities</b>		
Maintain Library Department service levels, including library hours and programming	R	Library hours significantly reduced; Central and Branch libraries all closed on Sunday and Monday
Maintain open space brush management service levels at 509 acres	M	Brush Management service levels maintained at 509 acres
Continued funding for Neighborhood Code Enforcement	M	Maintained with \$619,000 Civil Penalty Fund transfer
Maintain Parks and Recreation Department services, including Recreation Center hours and programming	A	Recreation Center hours are maintained; services added to include \$400,000 for summer youth programming
Maintain service levels for weed abatement in the right-of-way	R	The FY 2021 2.6% across-the-board contract reduction allocation will reduce weed abatement.
<b>Homelessness and Housing</b>		
Homeless outreach program	A	Adds \$1.0 million to existing program for a total of \$2.5 million
Tenant and landlord outreach for housing education, counseling and outreach to deter evictions	NA	City will receive additional resources for rent relief through the American Rescue Plan



# FY 2022 City Council Budget Priorities

## Compared to Mayor’s FY 2022 Proposed Budget *(cont)*

City Council Operating Budget Priorities <i>(continued)</i>	Status	Notes
Equity and Relief Programs		
Pursue equity in spending, mitigate disparate impacts to low- and moderate-income communities by utilizing an equity analysis in administering budget cuts, and maintain service levels in those communities	NA	The Mayor and staff are reviewing and considering equity budgeting for FY 2023.
Fund and implement the new Commission on Police Practices	A	New Commission on Police Practices funded
Additional funds for rental relief to assist those economically impacted by the COVID-19 pandemic	NA	City will receive additional resources for rent relief through the American Rescue Plan
Additional resources for the Small Business Relief Fund	A	\$10 million in General Funds
Reallocation of Police Department funding and the reassignment of services	R	\$4.0 million in ongoing reductions to Police Overtime expenditures; no reassignment of services
Establish an Office of Child and Youth Success to centralize and coordinate existing services spread across various City departments	NA	Not Funded



# FY 2022 City Council Budget Priorities

## Compared to Mayor’s FY 2022 Proposed Budget *(cont)*

City Council Operating Budget Priorities <i>(continued)</i>	Status	Notes
<i>Equity and Relief Programs (continued)</i>		
Create a new Youth Environmental/Recreation Corp program in the Parks and Recreation Department for youth employment and scholarship opportunities	A	\$250,000 in one-time expenditures is included for a new Youth Environmental/Recreation Corps Program
Continue providing internet access options for low-income communities	M	\$450,000 to continue and possibly enhance the services initiated in FY 2021
Continue the Office of Race and Equity	M	Funding is maintained for Office of Race and Equity (ORE). The FY 2022 Proposed Budget allocates \$3.8 million and maintains 3.00 positions for ORE. Additionally, the Community Equity Fund maintains a fund balance of \$3.0 million. The new Chief of Race and Equity is expected to be hired and begin early in FY 2022.
Fund a study on the feasibility/viability of creating a public bank for the City of San Diego	NA	The FY 2022 Proposed Budget does not include funding to study the feasibility/viability of creating a public bank for the City of San Diego.

# FY 2022 City Council Budget Priorities

## Compared to Mayor's FY 2022 Proposed Budget *(cont)*

City Council Operating Budget Priorities <i>(continued)</i>	Status	Notes
<b>Equity and Relief Programs <i>(continued)</i></b>		
Create an Office of Labor Standards Enforcement to consolidate various labor law and workers' rights and safety programs into one department	A	Many programs identified by Council are consolidated in the Compliance Department. The Equal Opportunity Contracting Program remains in the Purchasing and Contracting Department.
<b>Climate Action</b>		
Maintain budget resources for implementation of the Climate Action Plan and the Sustainability Department	M	No significant reductions
Establish and fund a Climate Equity Fund	A	Revenue diversion of \$5.0 million
Increase budget for the Urban Forestry Program	M	No reductions or additions
<b>Human Capital and Employee Compensation</b>		
Address City employees' compensation	A	\$22.1 million estimate included. Final cost unknown, as negotiations with employee organizations are ongoing.
<b>Arts and Culture Programs Funding</b>		
Sustain or increase funding for arts and culture programs, consistent with the City's "Penny for the Arts" commitment	R	Arts, Culture, & Community funding reduced by \$654,000. Total proposed funding is \$7.1 million, \$10.3 million below the "Penny for the Arts" target of \$17.4M.



# FY 2022 City Council Budget Priorities

## Compared to Mayor's FY 2022 Proposed Budget *(cont)*

City Council Operating Budget Priorities <i>(continued)</i>	Status	Notes
<b>Constituent Relations Management Platform</b>		
One-time funds of \$15,000 to each Council Office to develop a constituent relations management platform to replace the current IQ system and better integrate with the City's Get It Done platform	A	Each Council Office received a one-time allocation of \$15,000 in the FY 2022 Proposed Budget for development and licensing of a constituent relations management platform.
City Council Infrastructure Budget Priorities	Status	Notes
<b>Transportation Safety and Mobility</b>		
Pedestrian and bicycle safety measures	A	Adds \$6.0 million for Coastal Rail trail, \$2 million for medians, \$200,000 for bicycle counters, striping, and racks
Traffic calming measures to reduce the speed of traffic	A	Adds \$200,000
Additional streetlights	A	Adds \$1.2 million
Traffic signal modifications and upgrades to increase efficient flow of traffic and pedestrian safety	A	Added \$2.5 million for new traffic signals and \$1.7 million for modifications
<b>Sidewalks</b>		
New sidewalks and addressing the backlog of sidewalk repairs	A, R	Adds \$4.5 million for new sidewalks, nothing for repair



# FY 2022 City Council Budget Priorities

## Compared to Mayor's FY 2022 Proposed Budget *(cont)*

City Council Infrastructure Budget Priorities <i>(cont)</i>	Status	Notes
<b>Streets</b>		
Investments in streets, including street resurfacing and slurry sealing	A	Total anticipated budget for streets is \$123 million. Additional \$10 million for Sexy Streets
<b>Parks and Recreation Facilities</b>		
New or improved parks and recreation facilities	R	Less funding available largely driven by no transfer to Mission Bay Improvement and Regional Parks Improvement Funds. \$100,000 is included for Sunset Cliffs
<b>Stormwater</b>		
Stormwater infrastructure	A	Adds stormwater pipe repair team (\$2.5 million), \$1 million for drainage capital projects
<b>Library Facilities</b>		
New or improved libraries	M	Maintains/no funding
<b>Fire-Rescue Facilities</b>		
New or improved fire stations	M	Maintains/no funding
<b>Transit Infrastructure</b>		
Infrastructure for public transit	M	Maintains/no funding



# FY 2022 City Council Budget Priorities

## Compared to Mayor's FY 2022 Proposed Budget *(cont)*

City Council Budget Mitigation Priorities	Status	Notes
Use General Fund Reserves and/or Excess Equity	NA	Excess equity anticipated to be utilized for FY 2021 revenue shortfall, no General Fund Reserves used.
Use Pension Payment Stabilization Reserve to mitigate increases in the annual pension payment	A	Included in the FY 2022 Proposed Budget.

# Conclusion and Next Steps

## Overall Thoughts

- Mayor's Proposed Budget is reasonable and balanced
  - Several issues to discuss, but in general the Proposed Budget is clean and maintains most existing service levels in the City
- Future needs exceed existing resources
  - While the Proposed Budget is balanced, the City's funding needs over the next several years cannot be met solely by existing revenues
  - Needs include a growing capital backlog, storm water regulatory requirements, and expanded programs to address homelessness and climate impacts
  - City should consider potential new revenue sources, such as a trash fee, storm water fee, or other revenue to meet those growing needs

# Conclusion and Next Steps

- Council now has opportunity to review and revise the Proposed Budget
  - Because of overall financial constraints, important to identify funding for any proposed revisions
- Timeline:
  - **May 5** – Evening Hearing
  - **May 5-11** – Budget Review Committee Hearings
  - **May 17** – Evening Hearing
  - **May 20** – May Revision and 3<sup>rd</sup> Quarter Report Heard
  - **May 26** – Councilmembers issue final budget modification priority memos
  - **June 9** – IBA issues final recommended revisions
  - **June 14** – Council makes final budget decisions
  - **June 29** – Council Adopts Appropriation Ordinance